

# **WAL\*MART** **Financial Services**

March 31, 2006

Mr. John F. Carter  
Regional Director  
Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, CA 94105-2780

Re: Application for Federal Deposit Insurance for Wal-Mart Bank

Dear Mr. Carter:

An Amended and Restated Business Plan dated March 31, 2006 was sent to your attention earlier under separate cover. This Amended and Restated Business Plan and accompanying documents provide additional information regarding the commitments made in our letter dated March 1, 2006. To facilitate an integrated response to the various commitments, the majority of attachments to the Business Plan were provided regardless of whether or not there were changes. (The exception was the biographical and financial information for the proposed directors and officers.)

Summarized below are the various changes incorporated into the Business Plan with specific references to the commitments contained in the March 1<sup>st</sup> letter. This is meant to be a brief overview, if you would like additional expansion, please let me know.

- Capital: The bank will initially be capitalized with \$125 million.

Article VIII (Capital and Earnings) of the Business Plan has been amended to reflect the initial capitalization of the Bank. This includes a discussion addressing the reasoning surrounding the \$125 million initial capitalization, risk evaluations, the proposed process to monitor on-going capital sufficiency and references to the KPMG Risk Assessment and Capital Allocation Planning Process Diagnostic dated December 30, 2005.

- Community Reinvestment Act (CRA): Wal-Mart Bank has withdrawn its original request for a "Special Purpose" designation replacing it with a request for "Wholesale" designation for CRA purposes. A CRA Plan consistent with this request will be provided.

The withdrawal of the Bank's CRA "Special Purpose" designation request as well as request for "Wholesale Bank" designation for CRA purposes were sent to the FDIC in letters dated March 30, 2006. The Bank's CRA Plan accompanied the request for "Wholesale Bank" designation. Additionally, Article V (Marketing) of the Amended and Restated Business Plan has been amended to include references to CRA.

- Management: The application will reflect the intent to enhance the senior management resources of the bank prior to commencing its operation. This includes hiring a Chief Risk Officer with extensive payment processing industry experience and a Senior Auditor.

Article VI (Management Plan) of the Business Plan has been amended to include information about the responsibilities of the senior officers of the Bank, including the Chief Risk Officer and Senior Auditor.

- KPMG Management Action Plan: The application will reflect the commitment to implement the recommended action items outlined in the KPMG Risk Assessment and Capital analysis of Wal-Mart Bank dated December 30, 2005.

Bank management has carefully reviewed and discussed the KPMG Capital Allocation and Risk Assessment Diagnostic to develop an implementation plan. The proposed KPMG Action Item Implementation Plan is included in Attachment 37 to the Amended and Restated Business Plan.

- Broadstreet Financial Services, Inc.: Broadstreet Financial Services, Inc. will no longer have involvement with Wal-Mart Bank. Instead, Wal-Mart Bank stock will be issued directly (and solely) to Wal-Mart Stores, Inc.

Article II (Identification of Parties) identifies the sole shareholder of the Bank will be Wal-Mart Stores, Inc. Accordingly, the Articles of Incorporation and Bylaws of Wal-Mart Stores, Inc. are included as Attachments 5 and 6.

- Affiliate Transactions: The procedures to confirm industry pricing analysis and an evaluation of market comparables will be outlined to assure appropriate pricing to Wal-Mart Stores, Inc., consistent with Regulation W.

Article IV (Business Activities) of the Business Plan, Section 4.9 outlines the relationship of the Bank to its affiliates and outlines proposed activities. All affiliate transactions will be completed consistent with the rules and regulations promulgated by Regulation W, including pricing of services. Additionally, a revised Affiliate Transaction Policy is being providing in Attachment 32(A), outlining the steps that will be taken to insure any affiliate activity is properly structured and monitored.

- Financial Projections: The three year financial projections contained in the application will be modified to reflect the revised roll out schedule for its three sponsorship products (Electronic Check Conversion, Debit Card and Credit Card) and the increased capital.

Financial projections throughout the Amended and Restated Business Plan have been amended to reflect the impact of the revised initial capitalization of the

Bank. Accordingly, projected investments and assets have increased significantly. No changes from the original projection are projected for the Bank's liabilities. The projected income statement has been modified to reflect an increase in interest income as well as an increase in non-interest income. The latter is a result of modified projected rollout schedules for ECC, Debit and Credit sponsorship. Details of these changes are included in Article X (Financial Projections) and a complete copy of the revised financial statements for the Bank is included as Attachment 10.

**Other updates include:**

Article IV has been amended to include updated transaction volumes, process clarifications for Debit, Credit and ECC sponsorship and information related to the KPMG Risk and Capital Allocation Planning Diagnostic dated December 30, 2006.

Article VII (Controls, Records, and Systems) has been amended to expand the discussion of internal controls, including Payment Card Industry (PCI) compliance.

Attachment 1 – Wal-Mart organization chart reflecting the bank

Attachment 3 – Updated Wal-Mart 10Q

Attachment 5 – Articles of incorporation for Wal-Mart

Attachment 6 – Bylaws of Wal-Mart

Attachment 7 – Updated ODFI/Third Party Sender agreement

Attachment 8 – More detailed chargeback analysis for all 3 products

Attachment 10 – Updated financial statements

Attachment 13 – Updated bank service agreement

Attachment 15 – Updated parental support agreement

Attachment 16 – Updated inter-company deposit agreement

Attachment 18 – CRA withdrawal letter and new status letter

Attachment 19 – CRA plan

Attachment 26 – Job description for Chief Risk Officer

Attachment 29 – Job description for Senior Auditor

Attachment 30 – Revised bank organization chart

Attachment 32 – Policy updates

A – Affiliate Transactions Policy

B – Asset Liability Management and Investment Policy

F – Community Reinvestment Policy

O – Information Security Program

P – Information Technology Policy Manual

R – Internal and External Audit Policy

T – IT Audit Policy

Attachment 36 – Updated capital ratios

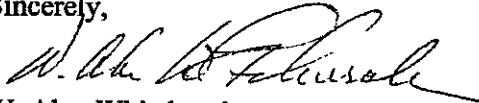
Attachment 37 – Capital monitoring summary

Attachment 39 – Updated organization expenses

Pursuant to 5 U.S.C. §§ 552(b)(4) and (b)(6) and 12 C.F.R. §§ 303.8(b)(i) and (b)(ii), we hereby request that this letter and the referenced documents be afforded confidential treatment. We also request, consistent with 12 C.F.R. § 303.8(c), that you notify us if anyone submits a written request, pursuant to the Freedom of Information Act.

The documents referenced and this letter contain confidential commercial and financial information of Wal-Mart Stores, Inc. and third parties. Public disclosure of this information could cause substantial harm to Wal-Mart Stores, Inc. and third parties by providing competitors with significant financial and operational information concerning business plan and strategies of Wal-Mart Stores, Inc. and third parties.

Sincerely,



W. Alan Whitchurch  
President & CEO  
Wal-Mart Bank (In Organization)

Cc: Commissioner G. Edward Leary  
Lisa K. Roy, Associate Director, FDIC

**WAL-MART**  
**Financial Services**

March 30, 2006

**By Federal Express**

Mr. John F. Carter  
Regional Director  
Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, CA 94105-2780

Re: Interagency Charter and Federal Deposit Insurance Application  
of Wal-Mart Bank: Amended and Restated Business Plan

Dear Mr. Carter:

Enclosed please find an original and one copy of an Amended and Restated Business Plan to supplement the Interagency Charter and Federal Deposit Insurance Application (the "Application") of Wal-Mart Stores, Inc. ("Wal-Mart") for a proposed Utah industrial bank ("Wal-Mart Bank"), submitted to the Federal Deposit Insurance Corporation on July 19, 2005. An application for a charter for a de novo institution was filed with the Utah Department of Financial Institutions on July 18, 2005.

As previously stated in the cover letter accompanying the Application, Wal-Mart deems its Business Plan to be highly confidential. Wal-Mart deems this Amended and Restated Business Plan, and all of its attachments, to be highly confidential as well because it contains confidential commercial and financial information and trade secrets of Wal-Mart and Wal-Mart Bank. We hereby request, pursuant to 5 U.S.C. § 552(b)(4) and (b)(6) and 12 C.F.R. §§ 303.8(b)(i) and (b)(ii), that these documents be accorded confidential treatment. We also request, consistent with 12 C.F.R. § 303.8(c), that you notify us if anyone submits a written request, pursuant to the Freedom of Information Act, for information withheld from the public file associated with the Application.

Mr. John F. Carter  
March 30, 2006  
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Should you have any questions regarding the enclosed application, please contact the undersigned counsel.

Sincerely,



W. Alan Whitchurch  
President & CEO  
Wal-Mart Bank (In Organization)

Enclosures

cc: Commissioner G. Edward Leary  
Ms. Lisa K. Roy  
Mr. Jane J. Thompson

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March 30, 2006

**By Federal Express**

Ms. Carol Saccomonto  
San Francisco Regional Office  
Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, CA 94105-2780

Re: Wal-Mart Stores, Inc.'s Interagency Charter and Federal Deposit  
Insurance Application For a Proposed Utah Industrial Bank,  
"Wal-Mart Bank"

Dear Ms. Saccomonto:

Enclosed please find the following: (i) a letter dated even date herewith withdrawing Wal-Mart Bank's request for designation as a special purpose bank for purposes of Wal-Mart Bank's compliance with the Community Reinvestment Act ("CRA"); (ii) a letter dated even date herewith requesting that the FDIC designate Wal-Mart Bank as a wholesale bank for purposes of Wal-Mart Bank's compliance with CRA; and (iii) Wal-Mart Bank's Community Reinvestment Plan.

In addition, enclosed find a copy of the Amended and Restated Business Plan for Wal-Mart Bank dated March 31, 2006 (the "Amended and Restated Business Plan"), without attachments. The Amended and Restated Business Plan is being submitted to the FDIC to supplement the referenced application. The Amended and Restated Business Plan contains confidential commercial and financial information and trade secrets of Wal-Mart Stores, Inc. ("Wal-Mart") and Wal-Mart Bank, and personal and financial information about the individuals who will be involved with Wal-Mart Bank. Public disclosure of this information could cause substantial harm to Wal-Mart and Wal-Mart Bank by providing competitors with significant financial and operational information concerning the Amended and Restated Business Plan. Public release of the personal and financial information about the individuals involved would constitute an unwarranted invasion of privacy. See 5 U.S.C. §§ 552(b)(4) and (b)(6) and 12 C.F.R. §§ 303.8(b)(i) and (b)(ii).

Federal Deposit Insurance Corporation  
March 30, 2006  
Page 2

Thank you for your consideration.

Yours truly,

  
Jerold G. Oldroyd

Enclosures

cc: Commissioner G. Edward Leary (w/out enc.)  
Regional Director John F. Carter (w/out enc.)  
Ms. Eva Rees (w/out enc.)  
Ms. Jane J. Thompson (w/out enc.)  
Mr. Tom McLean (w/out enc.)  
Mr. W. Alan Whitchurch (w/out enc.)  
C.F. Muckenfuss III, Esq. (w/out enc.)



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25 Jessie Street at Ecker Square, Suite 2300  
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Re: Wal-Mart Bank -- Community Reinvestment Act, Part 345  
Request for "Wholesale Bank" Designation

Dear Ms. Saccomonto:

Wal-Mart Stores, Inc. ("Wal-Mart"), on July 19, 2005, submitted to the Federal Deposit Insurance Corporation (the "FDIC"), an Interagency Charter and Federal Deposit Insurance Application for a proposed Utah industrial bank, "Wal-Mart Bank." On July 18, 2005, an application for a charter for a de novo institution was filed with the Utah Department of Financial Institutions.

By letter dated July 21, 2005, we requested, on behalf of Wal-Mart, that the FDIC designate Wal-Mart Bank as a special purpose bank for purposes of Wal-Mart Bank's compliance with the Community Reinvestment Act ("CRA"). Wal-Mart hereby withdraws its request for Wal-Mart Bank's designation as a special purpose bank. Enclosed please find a separate letter dated even date herewith whereby Wal-Mart is submitting a request for Wal-Mart Bank's designation as a wholesale bank for purposes of Wal-Mart Bank's compliance with CRA pursuant to 12 C.F.R. § 345.25(b).

Thank you for your consideration.

Yours truly,

  
Jerold G. Oldroyd

Enclosure

cc: Commissioner G. Edward Leary  
Regional Director John F. Carter  
Ms. Eva Rees  
Ms. Jane J. Thompson  
Mr. Tom McLean  
Mr. W. Alan Whitchurch  
C F. Muckenfuss III, Esq.

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March 30, 2006

**By Federal Express**

Ms. Carol Saccomonto  
San Francisco Regional Office  
Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, CA 94105-2780

Re: Wal-Mart Bank – Community Reinvestment Act, Part 345  
Request for “Wholesale Bank” Designation

Dear Ms. Saccomonto:

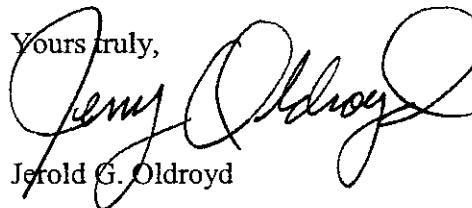
Wal-Mart Stores, Inc. (“Wal-Mart”), on July 19, 2005, submitted to the Federal Deposit Insurance Corporation (“FDIC”), an Interagency Charter and Federal Deposit Insurance Application for a proposed Utah industrial bank, “Wal-Mart Bank.” On July 18, 2005, an application for a charter for a de novo institution was filed with the Utah Department of Financial Institutions. Wal-Mart Bank will be located in Salt Lake City, Utah.

The principal business of Wal-Mart Bank is to serve as the depository institution sponsor for Wal-Mart’s access to the electronic payment systems in connection with retail sales by Wal-Mart and its subsidiaries. Specifically, the functions to be performed by the proposed Wal-Mart Bank will include the following: (1) serve as originating depository financial institution to provide access to the Automatic Clearing House (“ACH”) network for the purpose of presenting and settling electronically converted checks; (2) become a depository institution member of Visa and MasterCard debit networks, and act as the sponsor within certain regional and national processing networks to present and settle on-line point-of-sale PIN (Personal Identification Number) authorized debit card transactions; and (3) become a depository institution member of Visa and MasterCard card associations, and serve as the sponsor within certain regional and national processing networks to present and settle point-of-sale credit card and signature debit card transactions. In addition, Wal-Mart Bank will offer short-term certificates of deposit to non-profit, charitable and educational organizations designated as Section 501(c)(3) entities by the Internal Revenue Service, and to individual investors generated through deposit brokers. The proposed business activities of Wal-Mart Bank are more fully described in Article IV of the Amended and Restated Business Plan for Wal-Mart Bank dated March 31, 2006 (“Business Plan”).

As you are aware, 12 U.S.C. § 2901 requires insured state nonmember banks to comply with the Community Reinvestment Act ("CRA"). The majority of industrial banks chartered by the Utah Department of Financial Institutions must comply with the CRA requirements. Pursuant to 12 C.F.R. § 345.25(b), Wal-Mart Bank respectfully requests designation as a wholesale bank for CRA purposes. A "wholesale bank" is defined as "a bank that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect" 12 C.F.R. § 345.12(x). The following factors evidence the wholesale nature of Wal-Mart Bank's intended business. Wal-Mart Bank will not hold itself out to the general public as providing home mortgage, small business, small farm or consumer loans to retail customers. Wal-Mart Bank will not be serving retail walk-in traffic in its office located on the 6<sup>th</sup> floor of a commercial office building in downtown Salt Lake City, Utah, or have any retail branches, tellers or drive-up windows. Wal-Mart Bank will have no pedestrian signs, or advertisements inviting retail customers to its office. Further, the doors of Wal-Mart Bank will remain locked during business hours for security purposes, and no cash or negotiable instruments will be on site. Since Wal-Mart Bank's proposed activities are limited as set forth above, Wal-Mart Bank falls within the definition of a "wholesale bank."

As a wholesale bank, Wal-Mart Bank's CRA performance would be evaluated under the community development test set forth in 12 C.F.R. § 345.25. Wal-Mart Bank proposes to be significantly involved in community development activities that will benefit the proposed CRA assessment area of Salt Lake County and the broader communities served by Wal-Mart. The community involvement activities of Wal-Mart Bank are described in Article V of the Business Plan. Wal-Mart Bank's Community Reinvestment Plan is enclosed with this letter.

Please contact the undersigned at (801) 517-6801 if you have any questions or require additional information.

Yours truly,  
  
Jerold G. Oldroyd

Enclosure

cc: Commissioner G. Edward Leary (w/out enc.)  
Regional Director John F. Carter (w/out enc.)  
Ms. Eva Rees (w/out enc.)  
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C. F. Muckenfuss III, Esq. (w/out enc.)